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106TH CONGRESS }
1st Session

SENATE

{ REPORT
 106-103

FEDERAL FINANCIAL ASSISTANCE
 MANAGEMENT IMPROVEMENT ACT OF 1999

REPORT

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
 UNITED STATES SENATE

TO ACCOMPANY

S. 468

TO IMPROVE THE EFFECTIVENESS AND PERFORMANCE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS, SIMPLIFY FEDERAL FINANCIAL ASSISTANCE APPLICATION AND REPORTING REQUIREMENTS, AND IMPROVE THE DELIVERY OF SERVICES TO THE PUBLIC



JULY 1, 1999.—Ordered to be printed

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CONTENTS

	Page
I. Summary and Purpose	1
II. Background	1
III. Legislative History	3
IV. Explanation of Amendments	3
V. Section-by-Section Analysis	4
VI. Estimated Cost of Legislation	7
VII. Evaluation of Regulatory Impact	9
VIII. Changes in Existing Law	9

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THE FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1999

JULY 1, 1999.—Ordered to be printed

Mr. THOMPSON, from the Committee on Governmental Affairs,
submitted the following

REPORT

[To accompany S. 468]

The Committee on Governmental Affairs, to which was referred the bill (S. 468) to improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting requirements, and improve the delivery of services to the public, having considered the same, reports favorably on the bill and recommends that the bill as amended do pass.

I. SUMMARY AND PURPOSE

S. 468, the Federal Financial Assistance Management Improvement Act of 1999, requires federal agencies to coordinate and streamline the process by which applicants apply for assistance from Federal financial assistance programs, particularly where similar programs are administered by different Federal agencies. The purpose is to facilitate better coordination among the Federal Government, State, local and tribal governments, and not-for-profit organizations, simplify Federal financial assistance application and reporting requirements, and ultimately improve the delivery of services to the public.

II. BACKGROUND

There are over 600 federal programs which provide assistance to State, local and tribal governments and non-profit organizations. Funds provided under these programs are intended to meet a variety of domestic policy needs and objectives, and ultimately resolve some of the real problems facing our nation's residents. However,

administrative red tape often impedes the effective delivery of services to those who need them most. The goal of S. 468 is to improve the performance of Federal grant and other assistance programs by streamlining their application, administration and reporting requirements and facilitating greater coordination among federal agencies and their non-federal partners. The bill builds on past Committee efforts to improve performance (through the Government Performance and Results Act of 1993) and reduce Federal burdens on State, local and tribal governments (through the Paperwork Reduction Act and the Unfunded Mandates Reform Act). Furthermore, the bill recognizes the Federal Government's growing reliance on electronic information and the Internet by emphasizing the use of electronic reporting in the grant application and management process.

Many of the programs available to States and localities and non-profits serve similar purposes but are administered by different agencies. For example, eleven agencies administer over 100 community and regional development programs with outlays exceeding \$11 billion. Ninety early childhood programs are administered through 11 agencies and 20 offices. Job training is another area involving dozens of different programs and multiple agencies at the Federal level. The result is a confusing maze of overlapping programs that is difficult for even experienced service providers to navigate. Among other problems, this maze results in varied and different applications for like programs; duplicative information collection requirements; unnecessary separate and distinct reporting requirements; and, inefficiently timed funds dispersal and auditing procedures. Not only does this process frustrate the State and local governments and non-profit organizations charged with carrying out Federal grant programs, it also causes program inefficiency which reduces the effectiveness of these programs at all levels.

S. 468 is intended to bring some coordination to these programs and to simplify the process by which States and localities and non-profits apply for and report on the use of the funds available under these programs.

The bill is short and straightforward. It requires relevant Federal agencies, with oversight from the Office of Management and Budget (OMB), to develop plans within 36 months that do the following:

- streamline application, administrative and reporting requirements;
- develop a uniform application (or set of applications) for related programs;
- develop and expand the use of electronic applications and reporting via the Internet (by October 2003);
- demonstrate interagency coordination in simplifying requirements for cross-cutting programs; and,
- set annual goals to further the purposes of the Act.

Agencies would consult with grant recipients in the development of the plans. Plans and annual reports would be submitted to Congress and the Director of OMB and could be included as part of other management reports required under law. The Committee expects that agencies will comply fully with OMB timelines and directives, which OMB may establish pursuant to its responsibilities

to direct, coordinate and assist the agencies in complying with the provisions of this Act.

In addition to overseeing and coordinating agency activities, OMB would be responsible for developing more uniform administrative rules that cross program and agency lines and for developing a release form that allows grant information to be shared across programs. The Committee expects that agencies will adopt any uniform administrative rules developed by OMB verbatim and subsequently codify the rules in their regulations.

The General Accounting Office would submit an evaluation of this Act's effectiveness in six years. The bill sunsets in eight years.

III. LEGISLATIVE HISTORY

Senator Voinovich introduced S. 468 on February 25, 1999. Senators Thompson, Lieberman and Durbin are original cosponsors. The bill was referred to the Committee on Governmental Affairs and to the Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia.

At a Governmental Affairs Committee hearing on "The State of Federalism" on May 5, 1999, testimony in support of S. 468 was received from Governor Tommy Thompson of Wisconsin on behalf of the Council of State Governments; Governor Michael Leavitt of Utah on behalf of the National Governors' Association; State Representative Dan Blue of North Carolina on behalf of the National Conference of State Legislatures; and, Mayor Clarence Anthony of South Bay, Florida on behalf of the National League of Cities.

The legislation has been endorsed by the National Governors' Association, the National Conference of State Legislatures, the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, the Council of State Governments, and the International City/County Management Association. It has also been endorsed by the National Council of Nonprofit Associations and OMB Watch, a not-for-profit group.

S. 468 and a series of amendments offered by Senator Voinovich were pulled out of the Subcommittee unanimously on May 19, 1999. The bill as amended by the Subcommittee was ordered reported by the Full Committee on May 20, 1999 by voice vote.

This legislation is based on legislation introduced in the 105th Congress, S. 1642, by Senator Glenn with Senators Thompson, Levin, Lieberman and Akaka. While still in draft form, the legislation was endorsed by the National Governors' Association, the National Association of Counties, the National Conference of State Legislatures, the National League of Cities, and the Council of State Governments. Then-Governor George Voinovich of Ohio and Governor Ben Nelson of Nebraska, representing the National Governors' Association, testified in favor of S. 1642 during the Committee's hearing on regulatory reform on February 24, 1998. The Committee proceeded to consider S. 1642 on April 1, 1998. No amendments were offered. S. 1642 was ordered reported unanimously by recorded vote of 9 to 0.

IV. EXPLANATION OF AMENDMENTS

The Subcommittee approved several Voinovich amendments by unanimous consent. A brief description of each amendment follows.

- An amendment to add a paragraph to Section 6 instructing the Director of OMB to submit a report to Congress within 18 months of the enactment of this Act containing recommendations for changes in law to improve the effectiveness, performance, and coordination of federal financial assistance programs. The purpose of the amendment is to ensure that Congress is able to identify any statutory barriers to the effective administration of federal grant programs.
- An amendment to Section 7 which substitutes the General Accounting Office for the National Academy of Public Administration as the entity that will evaluate the effectiveness of this Act. The purpose of the amendment is to eliminate the additional expense to the federal government of contracting with NAPA for the performance of this evaluation.
- An amendment to Section 5 to extend the period for agencies to develop and implement streamlined applications and reporting requirements from 18 months, plus a 12-month extension, to 36 months with no extension. This amendment is in response to OMB's concerns that agencies would not have enough time to implement the Act within the bill's original deadlines.
- An amendment to Section 5 clarifying that to "implement" a plan includes the promulgation of rules and amendments to existing collections of information.
- An amendment to Section 5 to extend the period for agencies to develop and implement a plan that allows applicants to electronically apply for, and report on the use of, funds from Federal grant programs to October 2003. The amendment makes the deadline consistent with the deadline contained in the Government Paperwork Elimination Act, which requires agencies to provide for the optional use and acceptance of electronic documents and signatures.
- An amendment to Section 6 clarifying that OMB must complete its responsibilities to convene interagency working groups and coordinate agency activities in developing common application and reporting requirements within 18 months of enactment of this Act. This was implied, but not explicit, in the bill as introduced.
- An amendment to Section 7 directing that GAO evaluate the effectiveness of this Act after six years, instead of four. This amendment is necessary to comport with the new deadlines established by these amendments.
- An amendment to Section 11 providing that this legislation sunsets after eight years instead of five. This amendment is necessary to comport with the new deadlines established by these amendments.

V. SECTION-BY-SECTION ANALYSIS

Sec. 1. Short title

This Act may be cited as the "Federal Financial Assistance Management Improvement Act of 1999".

Sec. 2. Findings

This section finds that there are over 600 Federal financial assistance programs designed to implement domestic policy, and that

some of the administrative requirements of these programs may be impeding the cost effective delivery of services at the local level; further, State, local and tribal governments and non-profit organizations are dealing with increasingly complex problems, and simplifying the procedures and reporting requirements of Federal aid programs will improve the delivery of services to the public.

Sec. 3. Purposes

The purposes of this Act are to improve the effectiveness and performance of Federal aid programs, simplify application and reporting requirements, improve the delivery of services to the public, and facilitate greater coordination among those responsible for delivering services.

Sec. 4. Definitions

This section defines the terms used in this Act, including “Federal financial assistance program”.

Sec. 5. Duties of Federal agencies

(a) In General. Except as provided under subsection (b), not later than 36 months after enactment of this Act, each Federal agency shall develop and implement, including promulgation of rules and amendments to existing collections of information, a plan that—

- (1) simplifies the application, administrative, and reporting procedures for each Federal program administered by the agency;
- (2) demonstrates active participation in the interagency process under section 6(a);
- (3) demonstrates agency use of the uniform application and system developed under section 6(a);
- (4) designates a lead agency official;
- (5) allows applicants to apply for, and report on the use of, Federal funds electronically;
- (6) ensures recipients of Federal assistance provide timely, complete, and high quality information in response to Federal reporting requirements;
- (7) in cooperation with recipients of Federal financial assistance, establishes annual goals and objectives to measure performance, which may be done as part of the agency’s annual responsibilities under the Government Performance and Results Act of 1993.

(b) Extension. The Director may extend the period for development and implementation of a plan to allow applicants to apply for, and report of the use of, Federal funds electronically to October 31, 2003 for every agency unable to comply with the requirements of subsection (a).

(c) Comment and Consultation on Agency Plans.—

- (1) Comment. Each agency shall publish its plan in the Federal Register for comment and hold public hearings on its plan.
- (2) Consultation. The lead official designated by each agency shall consult with State, local and tribal governments and qualified organizations during development of the agency plan. Consultation with State, local and tribal governments shall be

in accordance with section 204 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1534).

(d) Submission of Plan. Each agency shall submit its plan to the Director and Congress and report annually on its implementation and performance. Such report may be included as part of any other required general management report.

Sec. 6. Duties of the Director

(a) In General. The Director shall direct, coordinate and assist federal agencies in establishing—

(1) a common application and reporting system, including—

(A) a common application or set of common applications to be used to apply for assistance from multiple Federal programs that serve similar purposes and are administered by different Federal agencies;

(B) a common system, including electronic processes, wherein an applicant can apply for, manage, and report on the use of funding from multiple Federal programs that serve similar purposes and are administered by different Federal agencies;

(C) common administrative rules for multiple Federal programs across different Federal agencies; and

(2) an interagency process for addressing—

(A) ways to streamline administrative procedures and reporting requirements for grantees;

(B) improved interagency and intergovernmental coordination of information collection and sharing of data pertaining to Federal financial assistance programs; and

(C) improvements in the timeliness, completeness, and quality of information received.

(b) Lead Agency and Working Groups. The Director may designate a lead agency and use interagency working groups to assist in carrying out this section.

(c) Review of Plans and Reports. Agencies shall submit to the Director, for the Director's review, information and other reporting regarding agency implementation of this Act.

(d) Exemptions. The Director may exempt any Federal agency if he determines it does not have a significant number of Federal aid programs. The Director shall maintain a list of the exempted agencies on the Internet.

(e) Changes in Existing Law. The Director shall report to Congress within 18 months any recommendations for changes in existing law which will improve the effectiveness, performance or coordination of federal financial assistance programs.

(f) Deadline. All actions required under this section shall be carried out not later than 18 months after the date of enactment of this Act.

Sec. 7. Evaluation

(a) In General. GAO shall evaluate the effectiveness of this Act. The evaluation shall be submitted to the Director and Congress not later than 6 years after the enactment of this Act. The evaluation shall be performed with input from State, local and tribal governments, and nonprofit organizations.

(b) Contents. The evaluation shall—

- (1) evaluate the effectiveness of this Act and make recommendations to further its implementation;
- (2) evaluate the performance of each agency in achieving its goals and objectives;
- (3) assess the level of coordination among the Director, agencies, and grantees in implementing this Act.

Sec. 8. Collection of information

Nothing in this Act shall prevent the Director from gathering information or exempt any recipient of assistance from providing information that is required for review of services of an activity assisted by a Federal financial assistance program.

Sec. 9. Judicial review

There shall be no judicial review of compliance or noncompliance with any of the provisions of this Act. This Act can not be used to create any right or benefit enforceable by any judicial action.

Sec. 10. Statutory requirements

Nothing in this Act shall be construed as a means to deviate from the statutory requirements relating to applicable Federal financial assistance programs.

Sec. 11. Effective date and sunset

This Act shall take effect on the date of enactment and shall cease to be effective 8 years after such date of enactment.

VI. ESTIMATED COST OF LEGISLATION

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 27, 1999.

Hon. FRED THOMPSON,
Chairman, Committee on Governmental Affairs,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 468, the Federal Financial Assistance Management Improvement Act of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are John R. Righter (for federal costs), and Susan Sieg (for the state and local impact).

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 468—Federal Financial Assistance Management Improvement Act of 1999

Summary: S. 468 would require federal agencies to simplify the procedures for state and local governments and nonprofit organizations to apply for and report on federal grant and assistance pro-

grams. Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 468 would increase planning and reporting costs by between \$5 million and \$10 million over the 2000–2004 period. This estimate includes several million dollars in costs for federal agencies to develop and report on plans to implement the bill’s provisions and between \$1 million and \$2 million for the Office of Management and Budget (OMB) to oversee the effort.

Because the bill could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority, pay-as-you-go procedures would apply. CBO estimates that such effects would not be significant. S. 468 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on the budgets of state, local, or tribal governments.

Description of the bill’s major provisions: The bill would direct OMB to oversee an interagency effort to implement the bill’s seven objectives, including creating a single form for applicants to apply for multiple federal assistance programs, allowing applicants to apply for and report on the use of federal funds electronically, and establishing performance measures. The bill also contains several reporting requirements. Within three years of enactment, agencies would be required to develop a plan to implement the bill’s objectives, which the agencies would report on in subsequent years. It also would require OMB to report to the Congress on the agencies’ plans and the General Accounting Office (GAO) to evaluate and report to OMB and the Congress on the bill’s effectiveness. The bill’s provisions would expire eight years after enactment.

Estimated cost to the Federal Government: Subject to appropriation of the necessary amounts, CBO estimates that S. 468 would increase planning and reporting costs by between \$5 million and \$10 million over the 2000–2004 period.

Much of S. 468 would codify current law or current policy. For instance, a uniform application—SF 424, Application for Federal Assistance—already exists. Additionally, initiatives currently are under way to streamline application and reporting requirements (such as measures resulting from the Paperwork Reduction Act of 1995) and increase the use of electronic methods (such as the Interagency Electronic Grant Committee), although S. 468 could expedite and improve such efforts. Expediting the reduction of paperwork requirements and the implementation of electronic information systems for federal financial assistance programs could reduce some administrative costs, but CBO expects that savings over the next five years would probably not be significant.

The bill would require agencies to devise plans to implement its seven objectives, including establishing performance measures to track their progress, and to report annually on their success relative to such measures. CBO estimates that such costs would not be significant for any one agency, but that they would total at least several million dollars over the five-year period. (We expect the bill would apply to the approximately 20 agencies that provide nearly all of domestic federal assistance.)

In addition, the bill would require OMB to oversee the effort, which CBO estimates would cost between \$1 million and \$2 million. That estimate would cover the annual costs of one to two

staff-years to coordinate and oversee the interagency effort, as well as the costs to review and comment on the agencies' performance plans and reports and to report to the Congress on such plans.

Finally, the bill would require the GAO to evaluate and report on the bill's effectiveness within six years of the bill's enactment. Because the report would not be due until fiscal year 2005, CBO estimates that implementing this provision would result in a minor increase in costs over the 2000–2004 period.

Pay-as-you-go considerations: the Balanced Budget and Enforcement Deficit Control Act specifies procedures for legislation affecting direct spending and receipts. Pay-as-you-go procedures would apply to S. 468 because it could affect spending by agencies not funded through annual appropriations, but CBO estimates that any such effects would not be significant.

Intergovernmental and private-sector impact: S. 468 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on the budgets of state, local, or tribal governments. The bill would reduce the costs of meeting application and reporting requirements for state, local, and tribal governments.

Estimate prepared by: Federal Costs: John R., Righter. Impact on State, Local, and Tribal Governments: Susan Sieg.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

VII. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirement of paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory and paperwork impact of S. 468. The legislation contributes to the efficient administration and management of Federal financial assistance programs by facilitating the use of uniform application and reporting requirements and increasing the use of electronic reporting. It would impose no additional regulatory burdens, and should reduce paperwork and administrative burdens on Federal grant recipients by eliminating redundant and obsolete requirements related to the administration of Federal financial assistance programs. Over time, it should also reduce paperwork burdens on Federal agencies in moving to both a more streamlined Federal grant management process and by expanding the use of electronic reporting and applications.

VIII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee states that S. 468, as reported, makes no changes in existing law.